

## Message Text

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DRAFTED BY EUR/RPE:MHLEVINE

APPROVED BY EUR/RPE:MHLEVINE

IO/EX:MR. CUMMINS

IO/BAPS:MR. SOUTHWORTH

EUR/RPM:MR REHFELD

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS PRIORITY

INFO USMISSION NATO PRIORITY

UNCLAS STATE 122508

E.O. 11652:

TAGS: AORG, OECD

SUBJECT: ADJUSTMENT OF PENSIONS IN COORDINATED ORGANIZATIONS

REF: (A) OECD PARIS 13420

(B) STATE 104049

(C) OECD PARIS 13819

1. YOU MAY DRAW ON FOLLOWING FOR HEADS OF DELEGATION MEETING ON JUNE 11:

A. THE USG CONTINUES AS A MATTER OF PRINCIPLE TO OBJECT TO ADJUSTMENT OF PENSIONS BECAUSE OF TAXES PAID.

B. WE BELIEVE THAT PENSION PLAN SHOULD BE EQUITABLE FOR RECIPIENTS AND SHOULD PUT ORGANIZATIONS IN COMPETITIVE UNCLASSIFIED

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POSITION AS EMPLOYERS. WE HAVE CONCLUDED THAT SOME

INCREASE OF PENSIONS IS APPROPRIATE, BUT WE HAVE NOT COME TO ANY CONCLUSIONS AS TO THE EXTENT.

C. A FORMULA TO SATISFY THE FOREGOING CONSIDERATIONS SHOULD BE A TASK FOR THE EXPERTS RATHER THAN DELEGATION HEADS. IN ANY CASE, THIS WORK SHOULD NOT RETARD THE IMPLEMENTATION OF OTHER ASPECTS OF THE PENSION PLAN.

2. IN EXPERT MEETINGS, YOU MAY BE GUIDED BY THE FOLLOWING

ADDITIONAL POINTS:

A. THERE ARE TWO ASPECTS TO THE PROBLEM. (1) WHETHER THE INCREASE IN THE PENSIONS SHOULD BE CALCULATED BY ADJUSTING THE SALARY BASE OR BY ADJUSTING THE PENSION ITSELF. (2) WHETHER THE INCREMENTAL COSTS ARE TO BE ALLOCATED AMONG GOVERNMENTS DIRECTLY FROM THE ANNUAL BUDGET, OR BASED ON A PRINCIPLE OF RESIDENCY OF THE PENSIONERS.

B. ON CALCULATING THE INCREASE, WE COULD ACCEPT A FORMULA WHICH ADJUSTED THE SALARY BASE FOR THE PURPOSE OF CALCULATING PENSIONS BECAUSE THIS WOULD MEET HEAD ON THE ARGUMENT THAT IT WAS UNFAIR TO TAX PENSIONS BASED ON NET SALARIES.

C. ON THE ALLOCATION OF THE INCREMENTAL COSTS, WE WOULD PREFER A RESIDENCY OF PENSIONER FORMULA ALTHOUGH WE RECOGNIZE THAT THIS WOULD ENTAIL MORE WORK TO ADMINISTER. HOWEVER, WE COULD ACCEPT A DIRECT BUDGETARY CHARGE IF THIS WERE TO PROVE NECESSARY TO NAIL DOWN THE TAXATION-OF-PENSIONS ISSUE. SISCO

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